

ASX Announcement

17 February 2015



Diploma to Sell Quest Serviced Apartment Projects in Perth & Rockingham for \$63.5m

- Diploma enters into two separate Heads of Terms to sell its Quest Rockingham and Quest Adelaide Tce serviced apartment projects for a combined value of \$63.5m
- The Heads of Terms are subject to due diligence and other conditions, which are expected to be completed by the end of March 2015
- The two sales are expected to net circa \$20m in cash to Diploma
- Settlement expected in July 2015 (Quest Rockingham) and March 2016 (Quest Adelaide Tce). Both sales will contribute to earnings in FY16

Leading Western Australian property development & construction company Diploma Group (ASX:DGX) confirms the formal execution of two Heads of Terms for the sale on completion of its two Quest Serviced Apartment ("Quest") developments with a combined value of \$63.5 million.

The two projects are currently under construction with Quest Rockingham expected to achieve practical completion in June 2015 and Quest Adelaide Tce in February 2016. Diploma holds a 100% interest in each development. Both buildings have been preleased to Quest on a long term basis. On completion, the buildings will add a further 226 rooms into the short-term accommodation market.

The sale prices are consistent with the Group's valuation expectations for both assets and Diploma expects to realise approximately \$20m in net proceeds from the sales after the repayment of project specific finance facilities.

Commenting on the execution of the Heads of Terms for each project, Diploma Managing Director Nick Di Latte said "we are pleased to have received strong interest from our sales campaign resulting in the signing of these two Heads of Terms. It is expected that the proceeds will be recycled into funding ongoing working capital requirements and new opportunities. Once the transactions are completed, Diploma's cash position will be significantly bolstered by the sales."

"In addition, the transactions will provide some earnings visibility into the FY16 financial year where we are expecting to finish four development projects in total with 288 Lord Street in Highgate and Capri in Rockingham also expected to complete."

Diploma will provide further updates to the market in relation to the due diligence process for each project as information comes to hand.

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